

ACCOUNTING FRAUD TENDENCIES AT VILLAGE CREDIT INSTITUTIONS WITH PENTAGON FRAUD APPROACH

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Abstract:

The village credit institutions have an important role however, there are some cases of fraud that occur in village credit institutions in Bali that have a loss impact especially on the local village. Some research on fraud tendencies has been done but this study will test the influence of accounting fraud tendencies seen from the Pentagon fraud and conducted at the village credit institution in Gianyar. Elements contained in the pentagon fraud: (1) Arrogance; (2) Competence/capability; (3) Leadership style (opportunity); (4) Locus of control (pressure); and (5) Rationalization. The population in this study at the village credit institute in Gianyar Regency with a sample of 75 respondents. From the test results using analysis methods PLS (Partial Least Square). The result show the Effectiveness of Internal Control System has no effect on the tendency of accounting fraud and the effectiveness of technology-based Accounting Information System negatively affects the accounting fraud tendencies.

Keywords:

Accounting Fraud, accounting information systems, internal control systems



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INTRODUCTION

Village credit institution is a village-owned financial enterprise that conducts business activities in the village environment and for the village. Quoted from Saputra et al., (2019) Village Credit Institute has a positive impact on the development of Indigenous Villages in Bali including; With the Village Credit Institution, Village gets a source of development costs of 20% of the net profit of the Village Credit Institution every year, the Village Credit Institution has participated in supporting government programs in terms of poverty alleviation and expanding employment opportunities, helping to encourage the growth rate of rural industries so that the economic growth of rural communities is getting better (Juniariani & Saputra, 2020; Putra & Latrini, 2018; Saputra, Trisnadewi, et al., 2019; Suardikha, 2013). But it is a pity even though the Village Credit Institution has a role in the economic growth of the village community in BALI there are still some cases of accounting fraud committed by several people from internal and external parties. Such as some cases of fraud that occurred at the Village Credit Institution in Bali including bontihing village credit institution Buleleng regency

where one of the managers double printed the customer's savings book and withdrew the customer's funds without the customer's knowledge. Then the fraud that occurred at the Village Credit Institute Kerta Payangan Gianyar Regency on November 10, 2015 was carried out by the Chairman of the Village Credit Institution with a corruption case that cost the state Rp3.5 Billion, the next case occurred at the Village Credit Institute Gerogak Village Buleleng regency where customer funds were used for the personal benefit of its management, the funds used reached billions of rupiah (Ekayani et al., 2020; Saputra, 2020; Saputra, Jayawarsa, et al., 2019).

Data of Health Report (CAMEL) of Village Credit Institution from LPLPD Province Bali 2019 in Bali based on district in table 1 shows the level of Village Credit Institution Healthy, Healthy, Unhealthy, and unhealthy. According to the data. seen Gianyar district level of village credit institution is unhealthy at most therefore in this study will take data at the Village Credit Institute Gianyar district.

Table 1 Health Report (CAMEL) Of Village Credit Institution in Bali by District

Regency	Number of village credit institutions	Healthy village credit institution	Village credit institution is quite healthy	Village credit institutions are unhealthy	Unhealthy village credit institutions
Denpasar	35	29	2	1	3
Gianyar	244	140	47	39	18
Jembrana	61	52	6	2	1
Bangli	152	86	30	31	5
Buleleng	146	91	28	21	6
Karangasem	167	99	45	16	7
Klungkung	111	86	16	8	1
Badung	119	72	22	18	7
Tabanan	248	176	40	25	7
Total	1.283	831	236	161	55

From the phenomenon that occurs regarding cases of accounting fraud can be explained from several previous researches that examined about the tendency of accounting fraud such as stated that the internal control system has an effect on the tendency of accounting fraud. The more effective the internal control system, the less cheating will be. the more effective the internal control system with its purpose, the simpler the detection of fraud that needs to be done. Another factor that also from the results of previous research affects the tendency of accounting fraud is the Effectiveness of Accounting Information Systems such as research conducted which states the Effectiveness of Accounting Information Systems negatively affects accounting tendencies (Haniffa & Cooke, 2002; Ismail et al., 2016; Prihandani et al., 2020).

The tendency of accounting fraud when viewed from the triangle theory and developed by Lidyah (2018); Said et al. (2018); Sujana et al. (2019) into a theory of pentagon looking at cheating that occurred judging by arrogance, competence, pressure and rationalization. In this study will retest the effect of the effectiveness of internal control influence on the tendency of accounting fraud and effectiveness of technology-based Accounting Information System influenced the tendency of

accounting fraud conducted at the village Credit Institution in Gianyar District with the Pentagon Fraud approach (Abdullahi & Mansor, 2018; Asry et al., 2018).

The Pentagon's Fraud Theory explains why people commit fraud. There are several elements of the pentagon theory namely (1) Arrogance, Arrogance is the arrogant or arrogant attitude of someone who considers himself capable of cheating. (2) Competence, Competence means the ability of fraud perpetrators to penetrate internal controls in their company, develop sophisticated embezzlement strategies and be able to control social situations that are able to bring benefits to him by influencing others to cooperate with him. (3) Opportunities, opportunities, or opportunities for fraud or situations that open opportunities for management or someone to commit fraud. (4) Pressure, Pressure is a situation where management or other employees feel incentives or pressure to commit fraud. this pressure encourages a person or a company to commit fraud. Categorize pressures in three groups, namely financial pressures, vices pressures. (5) Rationalization, Rationalization in fraud is the thought to justify fraud that will or has occurred (Amrullah, 2008; Lidyah, 2018; Lilik Purwanti, 2018; Said et al., 2018).

Based on this problem, the hypothesis in this study is (1) The effectiveness of internal control system negatively affects the tendency of accounting fraud at village credit institutions in Gianyar Regency. (2) The effectiveness of technology-based Accounting Information System negatively affects the tendency of accounting fraud at village credit institutions in Gianyar Regency (Fitriyah & Sidharta, 2013; Lukman & Harun, 2018; Nuraini et al., 2018; Pamungkas, 2014; Sarwoko & Agoes, 2014).

METHOD

The population in this study is the data in this study is the primary data obtained by disseminating questionnaires. The population in this study is village credit institution in Gianyar district as many as 244 which will be taken by 3 respondents in each village credit institution so that the population in this study there are 732 respondents with a sample of 75 respondents. The method of data collection in this study is by questionnaire collection techniques. The design of this study will conduct hypothesis testing is by multiple linear regression using partial least square measurements. Partial Least Square (PLS) data analysis generally consists of 2 parts, namely the measurement model and the structural model of the measurement model assessment basically explains the relationship between latent changers and their indicators. The focus of this analysis is to see whether or not the reliability and validity requirements of the data obtained from respondents before being used for further analysis (Atmadja & Saputra, 2018; Holmes et al., 2000). The cheating tendency in this study is limited to financial management, especially in the accounting section of the village Credit Institution in Gianyar Regency. Fraud is an act that is done to obtain unreasonable personal gain such as covering up the truth, fraud, manipulation, cunning or tricking that can be in the form of misrepresentation of financial statements, corruption and misuse of assets. In this study will look from the dimensions of the Pentagon Fraud theory in the preparation of indicators. Indicators of accounting fraud can be seen in table 2.

Table 2. Indicators of Accounting Fraud

No	Dimension	Indicators
1	Arrogance	Dare to violate the internal control system with regard to the presentation of financial statements
2		not apply accounting principles because the ego
3	Competence	Able to manipulate and falsify existing accounting information

		systems
4		Able to eliminate transactions and proof of transactions
5		Negotiating to justify incorrect accounting treatment
6	chance	No audit trail for transaction receipts
7		Lack of oversight of company assets
8	pressure	To get a high incentive then selected the appropriate accounting principles walupun sometimes the chosen accounting principle is wrong
9	Rationalization	Recorded the wrong accounting due to an urgent financial problem and will fix it again as soon as the problem is resolved

RESULTS AND DISCUSSION

Based on the results of data processing using smart PLS software can be seen in table 3 cronbach's Alpha value above the minimum value of 0.7 then it can be concluded that the data in this study is reliable. The square root value of average variance extracted (AVE) in table 3 indicates a value above 0.5. It can be concluded that all indicators in this study are declared valid.

Table 3. Measurement Model Assessment (Outer Model)

Variable	Cronbach's Alpha	(AVE)	information
Effectiveness of Internal Control System (X1)	0,894	0,508	Valid & Reliable
Effectiveness of technology-based Accounting Information Systems (X2)	0,873	0,561	Valid & Reliable
Trends in accounting fraud (Y)	0,903	0,561	Valid & Reliable

Source: Data Processed 2021

Based on the test results presented in table 4 obtained the results of the value B = - 0.155 and the value of Sig > 0.05 which is 0.332 then, it can be interpreted the Effectiveness of Internal Control System negatively but not significantly to the tendency of accounting fraud. The higher the effectiveness of the internal control system, the lower the tendency of accounting fraud that occurs. This result is not significant because there are other factors that have a stronger influence such as the effectiveness of technology-based Accounting Information Systems that in this study have a significant influence (Atmadja & Saputra, 2017; Bowrin, 2004).

Based on the test results presented in table 4 obtained the results of the value B = - 0.314 and the value of Sig < 0.05 which is 0.009 then, it can be interpreted the effectiveness of technology-based Accounting Information System negatively affects the tendency of accounting fraud. The higher the Effectiveness of technology-based Accounting Information Systems, the lower the tendency of accounting fraud that occurs. With the running of accounting information systems based on information technology to be transparent so that many parties can supervise it, thus the tendency to commit accounting fraud will be lower (Cai et al., 2019; Mariyatni et al., 2020; Suardikha, 2013).

Table 4. Hypothesis Test

Variable	B	Sig
Effectiveness of Internal Control System (X1) - > Trends in	-0,155	0,332

accounting fraud (Y)		
Effectiveness of Technology-based Accounting Information System (X2) - > Trends in accounting fraud (Y)	-0,314	0,009
R Square adjusted	0,144	

Source: Data Processed 2021

CONCLUSION

The conclusion of this study is the Effectiveness of Internal Control System has no effect on the tendency of accounting fraud in the village Credit Institute gianyar district where this is not in accordance with the hypothesis proposed that the Effectiveness of Internal Control System negatively affects the tendency of accounting fraud. The effectiveness of technology-based Accounting Information System negatively affects the tendency of accounting fraud and is in accordance with the hypotheses proposed. In this study there are some suggestions for researchers next, namely in this study the value of R Square adjusted by 0.144 is still very small so that it can be developed with a new model or add variables relevant to the current conditions.

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